

# Great Lakes Bulletin News Service

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## Farmers Rejoice as Governor Orders State to Buy Michigan First

*Michigan's purchasing power to grow jobs, fight sprawl*

By **Diane Conners**

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When potato farmer Scott Hanson heard about Michigan Governor Jennifer M. Granholm's recent state of the state address he was thrilled to learn one important fact.

"As part of our economic plan," the governor said from the Capitol in Lansing, "last year I ordered our departments to buy Michigan first."

The governor's order—which she said has resulted in 85 percent of state purchases going to Michigan businesses—doesn't apply to just office supplies.

Mr. Hanson, it turns out, is one of Michigan's many farmers who can expect to sell their products to the state's 44 correctional facilities, the biggest buyer of food in state government, and later perhaps to state hospitals, state office building cafeterias, and state-funded universities. And the new directive puts Michigan in the forefront of states making their purchasing clout work double duty as economic investment tools—putting dollars into preserving and building farm jobs, strengthening family farmers, and protecting farmland from sprawl.

The Michigan Department of Corrections alone contracts for \$43 million of bread, dairy products, frozen foods, dry groceries, meats, poultry, and seafood, of which about 11 percent is estimated to be spent on Michigan grown or produced products. The prison system spent another \$4 million on fresh produce in 2005, of which about 28 percent was Michigan-grown and at times purchased directly from farmers, rather than food distribution companies.

Now, with new multi-year contracts for food purchases up for renewal in April, the state intends to substantially increase those percentages. A new bidding system will rank the volume of Michigan grown and processed products right up there with price and service, said Sean Carlson, the state's deputy director for purchasing. The extent to which Michigan grown will trump price has yet to be determined, but the state is serious, he said.

“We are interested in supporting our agricultural market here in Michigan, and we want to prove that by our actions,” Mr. Carlson said.

### **Homegrown Markets, Happy Farmers**

That bodes well for Mr. Hanson, a fourth-generation farmer who grows about 175 acres of potatoes with his father, Dennis. He has already been selling potatoes to the Department of Corrections through the state’s Upper Peninsula-based Newberry Correctional Facility, about 90 miles east of his farm, for about three years.

Mr. Hanson sold about seven semi-truckloads of potatoes to the prison system last year, or about 308,000 pounds. Now, according to Department of Corrections officials, the volume could soar to as many as 3 to 4 million pounds a year.

Mr. Hanson, whose farm employs up to five part-time workers and one full-time worker at peak times, said the new program may allow him to expand operations; and it certainly will mean more of the approximately 100 family potato growers in the state will see a strengthened market close to home.

For Mr. Hanson, a homegrown market means a savings of about \$500 a truckload in freight fees to his other market, a potato broker in Wisconsin. Plus, the Newberry facility takes #2 grade potatoes—the prisons mash a lot of the potatoes anyway—and it takes partial truckloads rather than forcing the Hansons to provide a full load. Too often, Mr. Hanson ended up feeding his #2 potatoes to livestock if he only had a partial load to take to Wisconsin.

“We are extremely happy,” Mr. Hanson said of potential new sales to government facilities. “The money is staying in Michigan. If we make money, seeing that we live in Michigan, we will spend it in Michigan.”

### **Supporting the Local Economy, Nationwide**

Supporting the state economy is exactly why the Colorado Legislature last summer passed a bill that similarly favors Colorado grown products, said Jim Rubingh, director of the markets division of the Colorado Department of Agriculture.

“Our law before said that everything goes to the lowest bidder,” Mr. Rubingh said. “If Idaho potatoes were a penny less than Colorado potatoes, we had to buy those. We said, ‘That doesn’t make sense. We need to support our local economy when we can.’

Colorado also sees its initiative as a land use issue.

“If we can keep our farms profitable, they are less likely to sell for condominiums and other types of things,” Mr. Rubingh said.

States aren't alone in considering their purchasing power. Woodbury County, Iowa, for example, recently passed a resolution to buy local farm products—and in its case it gives a preference to organic farms.

While state “buy local” discussions are on the rise—particularly to encourage schools to purchase local foods—the number of actual programs so far is small, said Leslie Robbins, senior policy analyst with the National Conference of State Legislatures, a bipartisan research and technical organization for state policymakers. And some states have opted against such programs. A California bill failed, for example, partly out of fears that other states would retaliate against California growers who export to their states.

### **Balancing Between Local Growers, Free Trade**

California's fear is one that Michigan must consider, as well, said Mr. Carlson, Michigan's state purchasing officer. If Michigan decided, for example, to pay up to 5 percent more for all Michigan farm products, other states might retaliate by giving the same 5 percent price preference to *their* state's farm products over Michigan's, he said.

“We must be careful in balancing this,” he said.

And there are other issues to balance—issues that have nothing to do with other states.

For example, Mr. Carlson said he wants to encourage sales not only to food companies that buy from larger growers but also to smaller family farmers who may live just down the road from a state facility. It's important that the state not make its bid documents, contracts, and payment schedules so complex and bureaucratic that they scare farmers away from wanting to do business, he said.

To finesse all of this, Mr. Carlson plans to work closely with the governor's Michigan Food Policy Council, which she appointed last year to explore ways to strengthen farms, preserve farmland, and increase people's access to fresh, healthy foods. In establishing the council, the governor noted that if Michigan consumers spend an additional 10 percent of their food dollars on Michigan-grown and processed foods, economic activity in the state would grow by \$730 million.

The Department of Corrections will serve as the learning model for possible purchases throughout state government, including hospitals, cafeterias, and state park food vendors, Mr. Carlson said.

“We'll have the opportunity to reach out to Michigan State University, the University of Michigan, and all publicly funded universities and colleges,” he said. “We want to create positive momentum behind this.”

### **Farm Associations Praise Local Marketing**

Denise Yockey, executive director of the Michigan Apple Committee, the marketing group for the state's 1,000 apple farmers, praised this new effort to purchase locally.

“I certainly can say that we in the apple industry appreciate anything the governor can do to drive business to our homegrown produce,” she said. ‘It keeps 1,000 family farmers in business, caring for the land. Anything that our growers can sell closer to home is a more profitable apple for them.”

Ms. Yockey predicted that the state could be such a large customer that its purchasing clout will help increase sales to other interested buyers, such as schools.

“If we can get some of the larger food service companies to stock more than one variety of Michigan apple for many months of the year, instead of getting them by the truckload from the West Coast, it will be very good for the Michigan farmer,” she said.

Ben Kudwa, executive director of the Michigan Potato Commission, echoed those views. In fact, the potato group and the state’s Department of Corrections are discussing an idea in which the potato group will pay for and install up to \$20,000 worth of potato bagging equipment at a prison—most likely Newberry—where prison labor will pack the potatoes for shipment to prisons throughout the state. The equipment can also be used for carrots and onions, he said.

And Scott Hanson, the potato farmer from Michigan’s Upper Peninsula, couldn’t be happier.

“It’s a way to keep small family farms in business,” he said.

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